

# **EXHIBIT 2**

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<p>UNITED STATES SECURITIES AND EXCHANGE COMMISSION</p> <p>In the Matter of:            )                                   ) File No. D-03211-A GRACE CONSULTING CORPORATION )</p> <p>WITNESS: Shawn A. Becker PAGES: 1 through 283 PLACE: Levy and Craig, P.C.           1301 Oak Street, Suite 500           Kansas City, MS 64106 DATE: Friday, October 28, 2011</p> <p>The above-entitled matter came on for hearing, pursuant to notice, at 9:12 a m.</p> <p>Diversified Reporting Services, Inc. (202) 467-9200</p>	<p>C O N T E N T S</p> <p>WITNESS EXAMINATION Shawn A. Becker 5</p> <p>EXHIBITS DESCRIPTION IDENTIFIED</p> <p>11 E-mail to Shawn Becker, 10-14-11 8 12 Letter to Shawn Becker, 08-17-11 9 13 Letter to Grace Consulting, 08-17-11 9 14 Letter to New Vision, 08-17-11 11 15 Handwritten Notes, 09-20-11 13 16 Durable Power of Attorney 19 17 Background Questionnaire 22 18 Scottrade Brokerage Account Application 40 19 Letter to Jennifer Ostrom, 09-12-11 77 20 Letter to Shawn Becker, 07-15-11 88 21 Letter to Michelle Tidball, 06-29-09 111 22 CALI Shareholder Analysis 140 23 Consulting Agreement, 06-06-08 155 24 Consulting Agreement, 07-01-08 171 25 Worksheet 182 26 Shipping Airbill 183 27 Spreadsheet 194 28 E-mail to Michelle Tidball, 05-24-10 195 29 Letter dated 01-12-10 200</p>
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<p>APPEARANCES:</p> <p>On behalf of the Securities and Exchange Commission: JENNIFER OSTROM KURT GOTTSCHALL (telephonically) Securities and Exchange Commission Enforcement Division Denver Regional Office 1801 California Street, Suite 1500 Denver, Colorado 80202 (303) 844-1047 ostromj@sec.gov</p> <p>On behalf of the Witness: ARTHUR E. FILLMORE, II Levy and Craig, P.C. 1301 Oak Street, Suite 500 Kansas City, Missouri 64106 (816) 474-8181 afillmore@levycraig.com</p>	<p>EXHIBITS DESCRIPTION IDENTIFIED</p> <p>30 Paperwork produced by Scottrade 227 31 Paperwork produced by Scottrade 234 32 CALI Summary 259 33 New Vision Bank Account Info 275</p>

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## PROCEEDINGS

MS. OSTROM: Let's go on the record at 9:12 a.m. on October 28th of 2011. Would you please raise your right hand?  
Whereupon,

SHAWN A. BECKER  
was called as a witness and, having been first duly sworn, was examined and testified as follows:

## EXAMINATION

BY MS. OSTROM:

Q. Would you please state and spell your full name for the record?

A. Shawn, S-H-A-W-N; Alan, A-L-A-N; Becker, B-E-C-K-E-R.

Q. My name is Jennifer Ostrom, and on the phone is Kurt Gottschall. We are members of the staff of the enforcement division of the Denver regional office of the United States Securities and Exchange Commission. We are officers of the Commission for purposes of this proceeding, and this is an investigation by the Commission in the matter of Grace Consulting Corp., to determine whether there have been violations to certain provisions to the federal securities law. However, the facts developed in this investigation might constitute violations with other

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federal or state civil or criminal laws.

Mr. Becker, today, if you don't hear a question that I ask or don't understand something that I ask, please tell me and I will clarify it or repeat it.

A. Okay.

Q. The court reporter will not go off the record at your request, only at my request, but if you need to take a break for any reason or want to speak with your counsel, just tell me. I'll be happy to accommodate you.

A. Okay. Thank you.

Q. The other thing is, since she's the one having to take the notes, you and I have to try to make sure that we don't speak over each other.

A. Okay.

Q. So if you can, try to wait until I finish a question before you say something. It will help her with the record, and I'll try to do the same and not talk over you.

A. Okay.

Q. The other thing too is, if you could, be verbal in your responses rather than nodding or shaking your head or going "uh-huh."

A. Right.

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Q. Say "yes" or "no." Again, this will clarify the record, okay?

A. Okay.

Q. Now, prior to the opening of the record, you were provided with a copy of the formal order of investigation in this matter, and it will be available through your examination during the course of this proceeding. Mr. Becker, have you had an opportunity to review the formal order?

A. Yes.

Q. And then also prior to the opening of the record, you were provided with a copy of the Commission's Supplemental Information Form 1662 and a copy was also provided with your subpoenas, and a copy of that notice has been marked as Exhibit No. 1.

Mr. Becker, have you had an opportunity to read Exhibit No. 1?

A. Yes.

Q. Do you have any questions concerning Exhibit No. 1?

A. No.

Q. I want to highlight for you Paragraph B2 of the Form 1662. It reads as follows: You may be represented by counsel who also represents other persons involved in the Commission's investigation.

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This multiple representation, however, represents a potential conflict of interest if one client's interest are or may be adverse to another's. If you are represented by counsel who also represents other persons involved in the investigation, the Commission will assume that you and counsel have discussed or resolved all issues concerning possible conflicts of issue. The choice of counsel and the responsibility for that choice is yours.

Do you understand this?

A. Yes.

Q. You're represented by counsel today?

A. Yes.

MS. OSTROM: And would counsel please identify himself for the record?

MR. FILLMORE: Arthur E. Fillmore -- It's A-R-T-H-U-R. Fillmore is F-I-L-L-M-O-R-E -- of the firm Levy and Craig, L-E-V-Y and C-R-A-I-G.

MS. OSTROM: And, Mr. Fillmore, are you appearing today as counsel for Mr. Becker?

MR. FILLMORE: Yes, I am.

(Exhibit No. 11 was marked for identification by the court reporter.)

BY MS. OSTROM:

Q. Mr. Becker, I'm handing

<p style="text-align: right;">Page 13</p> <p>1 mean yourself and Michelle Tidball?</p> <p>2 A. Yeah.</p> <p>3 MR. FILLMORE: Clarify who your attorney</p> <p>4 was.</p> <p>5 THE WITNESS: Mike Dwyer.</p> <p>6 BY MS. OSTROM:</p> <p>7 Q. And you did produce</p> <p>8 documents in response to the subpoenas, correct?</p> <p>9 A. Yes.</p> <p>10 Q. Did you withhold any documents called for</p> <p>11 by the subpoenas based on any claim of privilege?</p> <p>12 A. No.</p> <p>13 Q. Were any documents called for by the</p> <p>14 subpoenas not produced for any reason other than</p> <p>15 privilege?</p> <p>16 A. No.</p> <p>17 Q. Do you know of any documents responsive to</p> <p>18 the subpoenas, but not provided to the staff, that</p> <p>19 were in your possession at a prior time, lost or</p> <p>20 destroyed or otherwise disposed of?</p> <p>21 A. No.</p> <p>22 (Exhibit No. 15 was marked for</p> <p>23 identification by the court reporter.)</p> <p>24 BY MS. OSTROM:</p> <p>25 Q. Mr. Becker, let me hand</p>	<p style="text-align: right;">Page 15</p> <p>1 ever doing. I mean, I don't -- I've looked for</p> <p>2 records and I couldn't find anything.</p> <p>3 Q. If I have brokerage documents from TD</p> <p>4 Ameritrade that show a couple of trades or a handful</p> <p>5 of trades in that account, do you have any reason to</p> <p>6 doubt that, if that's the case?</p> <p>7 A. No.</p> <p>8 Q. And then for Michelle Tidball, you have the</p> <p>9 650 account. Is it correct that she also had a</p> <p>10 custodial account for Alexis at TD Ameritrade?</p> <p>11 A. Yes. I failed to put that down.</p> <p>12 Q. That's all right. Did you have POA on that</p> <p>13 one also, a power of attorney?</p> <p>14 A. You know, I honestly don't remember. All</p> <p>15 we did at one time, when we were trying to fund the</p> <p>16 kids' college, is, we moved some stock into there. I</p> <p>17 can't remember if -- I think I had POA, but I can't</p> <p>18 remember.</p> <p>19 Q. Well, any activity in that account, would</p> <p>20 that have been directed by you?</p> <p>21 A. Well, yeah. If there's selling or any</p> <p>22 buying or anything, that would have been directed by</p> <p>23 me, and then I would tell her when I would do</p> <p>24 something. You know, I don't know if I had power of</p> <p>25 attorney in that account or not. I can't remember.</p>
<p style="text-align: right;">Page 14</p> <p>1 you Exhibit No. 15. This is numbered SB516 and the</p> <p>2 second page is numbered SB514. These are both</p> <p>3 documents that, when you see SB, we received from you,</p> <p>4 and we've put the numbers on.</p> <p>5 A. Okay.</p> <p>6 Q. These are handwritten notes. The first</p> <p>7 page, SB516, says bank and brokerages and a date of</p> <p>8 09-20-11. And then SB514, it says Brokerage Accounts</p> <p>9 at the top and it's dated 09-29-11. Did you draft</p> <p>10 these two documents in response to the subpoenas?</p> <p>11 A. Yes.</p> <p>12 Q. Is the document -- are the documents</p> <p>13 accurate?</p> <p>14 A. Yes.</p> <p>15 Q. If you could, look at the second page,</p> <p>16 SB514. There's a couple of questions I wanted to ask</p> <p>17 you. Under Ameritrade, Shawn Becker, the 886 account,</p> <p>18 you said no activity, correct?</p> <p>19 A. Yeah, not through '08 or '11. There might</p> <p>20 have been a little bit a long time ago, but not very</p> <p>21 much.</p> <p>22 Q. I have seen -- is it possible that there</p> <p>23 are maybe a couple of trades in 2010? Because I have</p> <p>24 actually seen some activity. Is that possible?</p> <p>25 A. I don't know. I mean, not that I remember</p>	<p style="text-align: right;">Page 16</p> <p>1 Q. When you say "her," you're referring to</p> <p>2 Ms. --</p> <p>3 A. Right.</p> <p>4 Q. If there was any actual stock trading in</p> <p>5 that account, it would have been directed by you, even</p> <p>6 if you didn't have power of attorney; isn't that</p> <p>7 correct?</p> <p>8 A. I probably placed the trade, but, you know,</p> <p>9 it would have come to her daughter. We discussed, you</p> <p>10 know, what I was doing in that account.</p> <p>11 Q. I understand. And then for the E*TRADE</p> <p>12 accounts, you listed Michelle Tidball, New Vision and</p> <p>13 Shawn Becker. You didn't have a Grace account down.</p> <p>14 Isn't it true that there was an actual Grace</p> <p>15 Consulting account, but it was just never funded?</p> <p>16 A. I couldn't find any documentation on that.</p> <p>17 I couldn't remember that for sure. I might have</p> <p>18 opened one and then never used it and then just thrown</p> <p>19 the documents away or they closed the account, because</p> <p>20 they had a policy that if you didn't use it, like six</p> <p>21 months or something like that, they would just close</p> <p>22 it, but I don't remember -- I couldn't find anything</p> <p>23 on it.</p> <p>24 Q. My notes -- what I've seen is that on about</p> <p>25 July 23rd of 2010, you requested a corporate transfer</p>

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1 from the TD Ameritrade for Grace Consulting to  
2 E\*TRADE, but then that never went through. Do you  
3 recall that?

4 A. When was it?

5 Q. July of 2010.

6 A. That I requested it from E\*TRADE?

7 Q. You were trying to transfer corporate --  
8 the accounts that Grace Consulting -- you wanted to  
9 transfer some of that stock into the E\*TRADE account  
10 in Grace Consulting's name, but it just never  
11 happened.

12 A. Yeah. I don't remember why.

13 Q. Do you remember if there was a Grace  
14 account in E\*TRADE?

15 A. No. To be quite honest, I don't even  
16 remember doing that. I must have forgotten about it.  
17 I've had a lot of things going on. I think we were  
18 just trying to diversify the accounts at that time and  
19 E\*TRADE was a little bit cheaper, commission-wise.

20 Q. My question is, though, if I have brokerage  
21 statements and other documents from E\*TRADE that show  
22 there was a Grace Consulting account at E\*TRADE, you  
23 have no reason to doubt that that would be accurate;  
24 is that correct?

25 A. No.

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1 Q. Did you have some custodial accounts for  
2 Jack, Grace and Emma somewhere?

3 A. Yeah, Ameritrade.

4 Q. So those were at TD Ameritrade?

5 A. Right. The only reason I didn't list them  
6 is because I didn't think you wanted those.

7 Q. That's okay. I just want to make sure.  
8 Because you had control over those accounts; is that  
9 correct?

10 A. Right.

11 Q. So with everything we've talked about and  
12 what's on SB514, do you think that's all inclusive in  
13 terms of the brokerage accounts that you controlled in  
14 any way?

15 A. I believe so.

16 Q. May I look at that real quick?

17 A. This (indicating)?

18 Q. Yes. Thank you. I'm going to staple this  
19 together to make sure that it stays together.

20 MR. FILLMORE: This may be a good time for  
21 me to bring up something that I discussed with you  
22 earlier. When you were talking to him about POA, I  
23 think you're referring to a very specific POA  
24 regarding an account, and Mr. Becker held a general  
25 power of attorney from Michelle Tidball since 2004.

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1 THE WITNESS: Actually, it was in '01.

2 MR. FILLMORE: And I did bring copies of  
3 it, if you want those. I just want to clarify that  
4 there was a power of attorney out there that covered  
5 all these types of transactions without specifying any  
6 POA over a specific account.

7 MS. OSTROM: Why don't we go ahead and do  
8 that right now.

9 THE WITNESS: These are my only copies.

10 MS. OSTROM: But we need to put them in as  
11 exhibits, though. You want to go off the record and  
12 do it now since you've talked about it?

13 MR. FILLMORE: Yes, since we're talking  
14 about POAs.

15 MS. OSTROM: That's absolutely fine. We'll  
16 go ahead and go off the record.

17 (Off the record.)

18 BY MS. OSTROM:

19 Q. While we were off the  
20 record, Mr. Becker, other than discussing baseball,  
21 did we have any substantive discussions about this  
22 investigation?

23 A. No.

24 (Exhibit No. 16 was marked for  
25 identification by the court reporter.)

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1 BY MS. OSTROM:

2 Q. And, Mr. Becker, let me  
3 hand you Exhibit No. 16. The first three pages are a  
4 Limited Durable Power of Attorney for Business and  
5 Financial Decisions dated August 22nd of 2001, by  
6 Michelle Tidball, appointing you the Power of  
7 Attorney, and then the next one, two -- five pages is  
8 a General Durable Power of Attorney for Business and  
9 Financial Decisions, which is dated April 6th of 2004,  
10 by Michelle Tidball, again, giving you the power of  
11 attorney. And then the last five pages are dated --  
12 sorry -- a General Durable Power of Attorney for  
13 Business and Financial Decisions dated April 6th of  
14 2004, by Shawn Becker, and giving Michelle Tidball  
15 power of attorney?

16 A. Yes.

17 Q. Let me hand you those. Tell me if I've  
18 stated accurately what those documents are?

19 A. Yes.

20 Q. And throughout where it's -- I believe  
21 there's only -- the last page has your signature; is  
22 that correct? Is that your signature?

23 A. Yes.

24 Q. And what is the difference between the two  
25 powers of attorney that Michelle Tidball gave you?

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1 A. You know what, I don't even remember. I  
2 don't know if there is much difference other than if  
3 we -- I think there was something in there that if we  
4 divorced -- we were planning on getting married at the  
5 time. If we divorced --

6 Q. So the second one in 2004 updated the 2001;  
7 is that correct?

8 A. Yes. Because in 2004, we did wills and all  
9 that kind of stuff.

10 Q. Now, your power of attorney that you gave  
11 to Ms. Tidball, has that been revoked?

12 A. No.

13 Q. So it's still outstanding?

14 A. Yes.

15 Q. Has the powers of attorney, at least to  
16 your knowledge, in any way changed that she gave to  
17 you?

18 A. I don't think so. I mean, at one time --  
19 no, I don't think so. We've had a power of attorney  
20 in place forever.

21 Q. So she has not revoked it, to your  
22 knowledge?

23 A. No, not to my knowledge. She did at the  
24 brokerage firm one time, the power of attorney I had  
25 there.

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1 Q. Not this general power of attorney right  
2 now?

3 A. Yeah, not that I know of.

4 Q. I will let you clip those together.

5 MS. OSTROM: Kurt, do you have any  
6 questions about this?

7 MR. GOTTSCHALL: No.

8 (Exhibit No. 17 was marked for  
9 identification by the court reporter.)

10 BY MS. OSTROM:

11 Q. Mr. Becker, I'm handing  
12 you what has been marked as Exhibit No. 17, which is  
13 your completed background questionnaire. Did you  
14 complete this questionnaire?

15 A. Yes.

16 Q. Are all statements contained in the  
17 questionnaire complete, true and correct?

18 A. Yes.

19 Q. Do you adopt, for purposes of your  
20 testimony today, all of the statements contained  
21 within Exhibit No. 17?

22 A. Yes.

23 Q. The very first page of Exhibit No. 17, No.  
24 4, what is your date of birth?

25 A. [REDACTED] 60. Sorry.

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1 Q. That's all right. That's why I go through  
2 it. If you could, turn to page 3, No. 16, the  
3 compensation salary. What does it say on the right?  
4 I see Michelle, that we close -- well, "Michelle that  
5 we use." That's all I can see. Is that --

6 A. Well, I based it off the tax returns that  
7 we did for those years.

8 Q. Why did you write "Michelle"?

9 A. I meant that, you know, we used together --  
10 whatever income, you know, came in, losses, whatever  
11 we used together, whether we took a loss or -- even  
12 though I traded and did all the things, we shared the  
13 money.

14 Q. So the numbers that you put in on No. 16  
15 are from your tax returns from 2008, 2009 and 2010; is  
16 that correct?

17 A. Yes. Actually, my accountant is still  
18 working on 2010. We were missing some documents. So  
19 we were finishing that up. I just put in, you know,  
20 some numbers from what he told me.

21 Q. Now, the one for 2008, it says, Trading and  
22 Compensation, and it's a negative number, correct?

23 A. Right.

24 Q. So is that indicating a loss from trading?

25 A. Yeah. It's just an overall loss from

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1 trading and everything.

2 Q. Can you break down for me how much you lost  
3 in trading and how much you had in compensation in  
4 2008?

5 A. Not off the top of my head. I mean, I just  
6 took that number from the tax return. I don't  
7 remember. I don't think we did a lot -- had a lot of  
8 compensation that year. It was more like '09 and '10.

9 Q. How would I find out -- what do you have  
10 that would give me compensation for you for 2008 and  
11 2009 and 2010, what kind of records?

12 A. Well, I would have to get my -- pull the  
13 tax return and look at it again to see which were  
14 traded and which were compensation.

15 Q. Did you break it down in the tax return?  
16 That's what I am trying to get. I'm sorry.

17 A. Well, you know what, I don't know how he  
18 did it exactly. I just told him what we did and he  
19 figured, you know, the profits and losses, and if it  
20 was compensation, what I got it for and where I sold  
21 it, and then took into account, you know, all the  
22 losses and things like that, the trading.

23 Q. I understand the trading part. What is it  
24 that provides the compensation, and what kind of  
25 documentation did you give to the accountant for that?



1 A. Well, I, basically, just told him, you  
2 know, from what records we had, if I got stock and  
3 what price I got it at and things like that.

4 Q. Do you have records that give you the  
5 compensation numbers that you could give to us?

6 A. I thought I had on some of that, you know,  
7 where the -- like, the deposits and the stock and  
8 things like -- I thought I had put that in there.

9 Q. Right. I understand if you got stock as  
10 compensation. Did you have any money as compensation?

11 A. In '08?

12 Q. Yes.

13 A. No.

14 Q. That helps. What about in 2009?

15 A. Yeah, 2009, I think we had some money  
16 coming -- I always did -- any deal I ever did, I  
17 always did for stock. I think 2009 was the first time  
18 I ever took compensation in the form of cash. It was  
19 either late 2009 or early 2010. I can't remember. It  
20 was from Verify Smart.

21 Q. How much was that compensation?

22 A. Well, some of it I paid out to other people  
23 that were helping me. So my -- I would have to go  
24 back and look, but I think it was about -- maybe 70 or  
25 80 grand, total.

1 Q. That you netted?

2 A. Right. But I would have to go back and  
3 look at the records, the bank statements.

4 Q. Can you recall how much total it was gross?

5 A. Probably about 130,000 or -- 130 or  
6 135,000, I think, total.

7 Q. Any other cash compensation in 2009 that  
8 you can remember?

9 A. No.

10 Q. How about 2010?

11 A. No.

12 Q. So no cash?

13 A. No. I didn't typically like working for  
14 cash.

15 Q. So when you give your accountant  
16 documentation on your income, it includes the,  
17 obviously, profit and losses in trading and there is  
18 something for the value of the stock. Is that how you  
19 did it?

20 A. Yeah. That's how he told me to do it. He  
21 told me to put it -- you know, when I got it, what I  
22 got it for and what I sold it for and, you know, if  
23 there was a loss between what I got it and where I  
24 sold it -- I don't know how he figured it, but I just  
25 told him what it was and he figured it.

1 Q. So those amounts are included here in 16?

2 A. I believe so, yes.

3 Q. That would be the case for all three years?

4 A. Yeah, whatever there was compensation-wise.

5 MS. OSTROM: Kurt, do you have anything on  
6 this one that you want to ask now?

7 MR. GOTTSCHALL: Yeah.

8 BY MR. GOTTSCHALL:

9 Q. In 2008, Mr. Becker,  
10 with such large losses, how did you pay your living  
11 expenses?

12 A. Unfortunately, I borrowed -- we borrowed  
13 against the account, the margin account. So that was  
14 like the net number after we paid off the margin and  
15 everything else. So we had money from, you know,  
16 previous years from, like, '04, '05, '06, '07. So we  
17 had, you know, quite a bit of money at one time, and  
18 then we borrowed against the account every month. I  
19 didn't always sell it. In fact, I actually -- most of  
20 the time, I ended up with more stock than I got and  
21 ended up margining it and taking money out and  
22 borrowing against the account. We had large margin  
23 interest payments that -- all those years. Most years  
24 we had large margin because we borrowed against the  
25 account. So I hardly ever sold anything unless I had

1 to.

2 Q. I want to make sure we understand the  
3 nature of the compensation from 2008 forward. You  
4 haven't been employed by any entity, correct, as an  
5 actual employee?

6 A. Yeah. I mean, I -- not for cash, but, you  
7 know, I put in the documentation that I received stock  
8 in some companies.

9 MR. FILLMORE: He's asking you whether you  
10 received W-2 type income.

11 A. No.

12 BY MR. GOTTSCHALL:

13 Q. So when you did work  
14 from 2008 forward, it's always been in a consulting  
15 capacity; is that correct?

16 A. Correct.

17 Q. And have you -- I take it the only forms of  
18 compensation from those entities that you have done  
19 consulting work for has been in cash compensation in  
20 limited circumstances and stock?

21 A. Yeah. It was only one time for cash. And  
22 every other deal I've ever done with anybody has been  
23 in the form of stock.

24 Q. So no other form of compensation from these  
25 issuers other than cash or -- and then most of the

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1 whole thing, to tell you the truth.

2 Q. Where did you get the million free-trading  
3 shares? Because they would have had to come from  
4 somewhere else; they can't come directly from the  
5 company, correct?

6 A. I don't know. It came from him. I don't  
7 know where he got it from, if he borrowed it from a  
8 third party or -- maybe he had his own stock. I don't  
9 know, but I got it from him.

10 Q. Mr. Sepe provided it, though?

11 A. Yeah, he provided it.

12 Q. I forgot to ask you this. Is that the same  
13 thing with Verify Smart, Mr. Scammill provided you  
14 with 100,000 free-trading shares as opposed to  
15 directly from the company?

16 A. Yeah. He said he was getting it from  
17 someplace. I think he said he was getting it from a  
18 third party or something like that, you know, somebody  
19 interested in the company that -- you know, I don't  
20 know where. I don't ask.

21 Q. Now, what specific services did you provide  
22 for Xynergy Holdings?

23 A. Same thing as all the other companies,  
24 introduced people to the company and told them about  
25 the technology and -- those two duties -- I really

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1 didn't work on it for very long, because both of those  
2 people got crazy after a couple of months and, you  
3 know, started wanting me to do this and that, you  
4 know, as far as the shareholders. I just didn't --  
5 couldn't work for somebody like that.

6 Q. And approximately how many people did you  
7 bring into this stock?

8 A. That, I have no idea. I didn't -- you  
9 know, I have no idea. To be honest with you, I didn't  
10 keep track on that one.

11 Q. Anyone else that you know that was a  
12 consultant to Xynergy?

13 A. Not that I know of. I think he hired other  
14 people. One thing I didn't like about it, he hired  
15 all these guys that were, like, e-mail guys and things  
16 like that. That was another thing I didn't like about  
17 it. Those are just roads to disaster, when you hire  
18 those e-mail guys. He hired some of those.

19 Q. What do you mean by "e-mail guys"?

20 A. Those guys that do the e-mail blasts and  
21 stuff, because I even got -- I didn't even know he  
22 hired them. And then all of a sudden, I get an e-mail  
23 saying -- by Xynergy Corp. So I got one of those.  
24 That was another scary thing that I didn't like about  
25 it, because he hired e-mail guys, and all those things

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1 just go up and down and they're in the toilet.

2 Q. And then the consulting agreement itself --  
3 I'm still looking at the one that you provided, which  
4 is SB440. The third line down says -- under A --  
5 Consultant possesses special skills, knowledge and  
6 qualifications beneficial to the business of the  
7 company. Other than bringing in possible  
8 shareholders, were there any other special skills,  
9 knowledge or qualifications that you provided?

10 A. No, because we didn't really work on it  
11 that long, a couple months -- a couple three months,  
12 or I worked on it. So there really wasn't any need.  
13 He was funding the company, I think. So he never  
14 really asked for -- I don't think they ever did a PPM  
15 or needed my services for anything else, just to  
16 promote investor awareness.

17 Q. No. 2, under Duties, do you see that  
18 section?

19 A. Uh-huh.

20 Q. It says, Consultant shall be engaged to  
21 provide consulting services for the company with  
22 respect to the conduct of its business affairs. Did  
23 you ever do that?

24 A. No.

25 Q. The third sentence says, The company may

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1 instruct the consultant to perform services for its  
2 clients and customers. Did they instruct you to  
3 perform any services for clients or customers?

4 A. No.

5 Q. And was there anyone else who was helping  
6 you with these -- Xynergy solicitation of investors?

7 A. Gosh, I don't remember. I don't think  
8 anybody -- I don't think I even subcontracted anything  
9 out to anybody. It was such a short-term thing. I  
10 mean, you know, we started having problems after the  
11 first or second month. So I quit right after that.

12 MS. OSTROM: Kurt, do you have anything  
13 else on this one?

14 MR. GOTTSCHALL: No.

15 MR. FILLMORE: Is there going to be a --

16 MS. OSTROM: This might be the one.  
17 Because I wanted to cover the older stuff first. Is  
18 this okay with you, Kurt? I know it's early out  
19 there.

20 MR. GOTTSCHALL: No, that's fine. What  
21 time do you want to get going again?

22 MS. OSTROM: Is 1:00 okay or -- try to, at  
23 least close to it?

24 MR. FILLMORE: Yes.

25 MS. OSTROM: So 12:00, your time?



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1 MR. GOTTSCHALL: Yes.

2 MS. OSTROM: Okay. Do you want to talk to  
3 me? Should I call you at lunch then? Is that okay?  
4 I'll hang up on you now.

5 MR. GOTTSCHALL: Yeah. Are you going to  
6 call right now?

7 MS. OSTROM: Yeah, I will. I'll call you  
8 on my Blackberry when I get out. Why don't we go  
9 ahead and we'll go off the record for lunch.

10 THE FILLMORE: That'd be great. Thanks.  
11 (Whereupon, at 12:00 p.m., a luncheon  
12 recess was taken.)

13 A F T E R N O O N S E S S I O N

14 MS. OSTROM: Let's go back on the record at  
15 1:08 p.m.

16 BY MS. OSTROM:

17 Q. While we were off the  
18 record, Mr. Becker, did we have substantive  
19 discussions regarding this investigation?

20 A. No.

21 Q. Now, on Exhibit 19, 1C references the China  
22 Auto Logistics Company, and you said that you had an  
23 oral agreement with them; is that correct?

24 A. Correct.

25 Q. And who were your contacts for that

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1 agreement?

2 A. Paul Kelly.

3 Q. So your oral agreement was with Mr. Kelly  
4 or was it with China Auto Logistics?

5 A. Paul Kelly.

6 Q. What was the substance of the agreement, as  
7 you can recall?

8 A. Just the same thing, to disseminate public  
9 information, do IR, try to build the shareholder base,  
10 get it out there. He didn't really ask me to do  
11 anything else.

12 Q. And at some point, did you actually meet  
13 people from China Auto Logistics? Is that what you  
14 were talking about earlier?

15 A. Yeah. Well, before I even started, I  
16 wanted to, you know, meet the people, meet the company  
17 and things like that. So he said, By the way, they're  
18 coming in. I think it was late 2009, in October or  
19 something. The Chinese was coming in to do a road  
20 show, and they were starting in Arizona and going to  
21 California and Las Vegas and New York. They were  
22 spending, like, two weeks here. And Paul said, Why  
23 don't you come out and meet the company and see if you  
24 are interested in doing it? So that's what I did.

25 Q. Who paid your expenses?

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1 A. Well, I paid for everything but my room.  
2 He booked all the rooms.

3 Q. And what were the terms of your agreement  
4 with Mr. Kelly with regards to China Auto Logistics?

5 A. Just to do the investor relations and at  
6 some point, they were going to raise money and develop  
7 the PPM to try to help them raise money -- or  
8 introduce them to raise money for the PPM.

9 Q. Other than the soliciting shareholders for  
10 the company, did you provide any other services?

11 A. No.

12 Q. What compensation did Grace receive for  
13 providing the services?

14 A. Well, it was not just me. It was Grace,  
15 Douglas and Steven Rosner. But it was probably  
16 about -- I want to say about 360,000 shares total  
17 between all of us. It might be plus or minus a few.  
18 I don't remember exactly, but that was about the  
19 number.

20 Q. And did you negotiate the agreement with  
21 Mr. Kelly on behalf of Mr. Rosner and Mr. Weil?

22 A. Yes.

23 Q. Were they your subcontractors, essentially?

24 A. Yes.

25 Q. Do you remember what the split was between

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1 you?

2 A. Originally, it was a third, a third, a  
3 third; and then when -- I think we got a second batch.  
4 And then Mr. Rosner was doing something else, so  
5 Douglas and I split the other. I think it was about  
6 120,000 shares, but I think the original amount went  
7 three ways.

8 Q. So how many, total, did Grace end up  
9 receiving?

10 A. About 180.

11 Q. Were they freely-traded shares?

12 A. Yes, they were.

13 Q. Do you know where the shares came from?

14 A. No. Paul Kelly arranged that. I think it  
15 was just part of that 2 percent or -- it was either 1  
16 or 2 percent, depending on the deal, the IR that they  
17 had budgeted.

18 Q. Right. But were they freely-traded shares  
19 coming from --

20 A. I know they came from him. I would have to  
21 look, you know, at the transfer agent or something to  
22 find out where they came from. I don't know. I don't  
23 know if they came from one of his entities or somebody  
24 else's.

25 Q. Did you give Mr. Weil 180,000, also? Is

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1 that how that worked?

2 A. Yeah. I'm trying to think of that number.

3 Let me think about this number for a minute, make sure  
4 I give you the most accurate number I can think of. I  
5 know we had got 180 and we split it three ways, of 60,  
6 60 and 60. And then I think we might have gotten -- I  
7 don't think it was that much. I think he and I got,  
8 like, one -- maybe 110 apiece or something like  
9 that -- no, that's not right. Rosner didn't get that  
10 much. Steven only got about -- probably 80,000 shares  
11 of it, total. So that would be, like 140 apiece,  
12 something like that.

13 MR. FILLMORE: If you don't mind, I would  
14 like to disagree. You've said twice that  
15 freely-traded shares can't come from the company, but  
16 I've seen, particularly, in reverses into shells where  
17 a portion of the registration was not completely  
18 issued and was issued to IR consultants or someone  
19 like that. And so I'm just -- as a matter of fact,  
20 that they can --

21 MS. OSTROM: I understand exactly where  
22 you're coming from. Let me make a statement, and I  
23 will make --

24 MR. FILLMORE: Okay.

25 BY MS. OSTROM:

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1 Q. I have not seen in any of  
2 these entities that we are now discussing that any of  
3 them have SA or any other type of disclosure of  
4 providing any freely-traded shares to any consultants  
5 in any of their filings.

6 A. Okay.

7 MS. OSTROM: I apologize. I should have  
8 made that premise. So thank you very much for  
9 bringing that up.

10 MR. FILLMORE: That's okay.

11 A. I think it just came out of his -- whatever  
12 the company left him with his block or -- you know,  
13 because he had so many expenses or something, and  
14 they -- you know, whatever was left over -- because he  
15 did the reverse and all that stuff.

16 BY MS. OSTROM:

17 Q. I apologize, because I  
18 think I misunderstood you at the beginning of -- that  
19 Mr. Rosner and Mr. Weil and Grace all took shares out  
20 of the 660,000.

21 A. Right.

22 Q. I'm sorry.

23 A. Well, I don't think it originally started  
24 out as Grace. It was Michelle. Because I didn't  
25 use -- I don't think -- I think I put some of it in

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1 Michelle and some of it in Grace, because we didn't  
2 use Grace until the end of '09. So I think it went in  
3 her name.

4 Q. Do you know when the agreement was with  
5 Mr. Kelly for China Auto Logistics?

6 A. Sometime -- like the summer of '09. I'm  
7 not a very good record keeper, but I know it was in  
8 '09. I think it was about the summer. It could have  
9 been late fall, but it was right in there.

10 Q. Other than the freely-traded shares that  
11 you received, was there any other compensation?

12 A. No.

13 Q. Do you know of any other consultants, other  
14 than Mr. Rosner and Mr. Weil?

15 A. Well, I think they used that group out of  
16 Arizona.

17 Q. What was that name again?

18 A. You know what, I don't know. I think they  
19 are part of that Focus Asia Partners group or  
20 something. Because I remember getting the guy's card  
21 and I thought it said Focus Asia Partners on it. The  
22 guy is Rich somebody, but I don't remember his last  
23 name. I never talked to them at all. I might have  
24 gotten a report here and there that Paul or somebody  
25 had sent me that they had or their firm had written,

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1 but I never talked to them.

2 Q. Focus Asia Partners -- Mr. Agriogianis is  
3 part of that, correct?

4 A. Yeah, I think he's part of that, too.

5 Q. What did Focus Asia do for China Auto  
6 Logistics?

7 A. I don't know. I know they wrote reports  
8 and helped them with reports and disseminate  
9 information and, you know, they might have been  
10 involved in money raises or something like that. I  
11 really don't know. I didn't talk to them about that  
12 at all. I just kind of focused on my part and didn't  
13 really focus on what anybody else was doing.

14 Q. Other than Focus Asia Partners, do you know  
15 of any other consultants that China Auto Logistics  
16 had?

17 A. No. He talked about someone at the  
18 beginning, but he never told me who they were. He  
19 just said that they didn't work out. That's why, when  
20 he heard about me, he called me.

21 Q. Was China Auto Logistics the first deal  
22 that you did with Paul Kelly?

23 A. Yeah. Yes.

24 (Exhibit No. 22 was marked for  
25 identification by the court reporter.)

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1 or twice on the phone, but I didn't talk to him on a  
2 regular basis.

3 Q. The next thing down is Robert Fineblatt.  
4 Do you know who that is?

5 A. No.

6 Q. Do you know why your name, Shawn, is next  
7 to his -- the buy and current?

8 A. No. Because that next one down, Steven  
9 Port, that's a friend of mine, and they've got Brian  
10 next to it.

11 Q. Do you know who Brian is referring to?

12 A. No.

13 Q. Okay.

14 A. I think we were just assuming -- if he  
15 didn't know who it was or somebody else told him about  
16 another guy or something, I think he was assuming that  
17 anybody that was left were my people that I had  
18 contacted.

19 Q. Do you know who MM stands for?

20 A. No.

21 Q. How about AW? That's down a little  
22 farther.

23 A. Where is that one? No, I don't know AW  
24 either. See, I didn't take these things to heart  
25 because, you know, I hear so many mixed things about

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1 what the SEC shows, the NOBO shows. I have one guy  
2 telling me that the NOBOs don't show anything, and  
3 then Paul says they do. So I just never paid  
4 attention to any of this stuff.

5 Because he says if -- somebody told me, if  
6 you're at a brokerage firm and you sign an  
7 objectionable shareholder's thing, you're not -- it  
8 don't show up anywhere. So I just discounted all this  
9 stuff, and I didn't even really pay attention to it.

10 MR. FILLMORE: I would like to clarify with  
11 him one thing, because I want to make sure he's  
12 answering it accurately. When you're talking about  
13 Roger Lockhart and CALI, was Roger Lockhart not at  
14 that meeting with you in Phoenix when you met the CALI  
15 people?

16 THE WITNESS: Yeah, he was at that meeting.  
17 I said that at the first couple of meetings, that's  
18 where I met Roger, was at that meeting; and he was  
19 introduced as an investor.

20 BY MS. OSTROM:

21 Q. That was the first time  
22 you had ever met him?

23 A. Uh-huh.

24 Q. Did you know that he had been a broker at  
25 any time, a stockbroker?

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1 A. Yeah, I knew that. He told me that he was  
2 a broker at one time, a long time ago, and that he  
3 sold his book to somebody else or something. I  
4 honestly didn't really even talk to Roger that much.  
5 I didn't talk to Roger probably -- I met him at a  
6 couple of meetings and I might have talked to him a  
7 couple of times, but I didn't really -- until Paul  
8 kind of fell off the radar map, I didn't really talk  
9 to anybody until the last six or eight months, and  
10 Paul kind of made Bob Agriogianis the point guy for  
11 any information, if you had any questions or  
12 information, or whatever.

13 But Roger -- the only time I ever spoke to  
14 him was about -- you know, we'd talk about trading  
15 ideas or something. Nothing to do with, you know,  
16 these companies. If I had a question -- I might ask  
17 him a question about China or something because he  
18 went over there with the group all the time, to China.

19 Q. Do you recall how many people you brought  
20 into China Auto Logistics, in general, an estimate?

21 A. I don't know. I had a lot of larger  
22 shareholders in that one. Probably 50 or 60. It  
23 could have been more than that. I don't know, because  
24 a lot of these guys told other people about it. So it  
25 might have been more than that.

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1 MS. OSTROM: Kurt, do you have anything  
2 else right now on this?

3 MR. GOTTSCHALL: No.

4 BY MS. OSTROM:

5 Q. On Exhibit No. 19, going  
6 back to that, 1D is Guanwei, G-U-A-N-W-E-I, Recycling  
7 Corporation. Did you have an agreement with Mr. Kelly  
8 for that one, also?

9 A. Yes.

10 Q. When was that?

11 A. That was, like, early 2010, I want to say,  
12 March or April.

13 Q. That was also an oral agreement?

14 A. Yes.

15 Q. Other than Mr. Kelly, did you have any  
16 contacts for the agreement?

17 A. No. What do you mean "contacts for the  
18 agreement"?

19 Q. At the company or anyplace else that you  
20 negotiated the --

21 A. No. I met -- they brought the guy over  
22 from China one time to New York, and I met the company  
23 there. That was the only contact I've ever had with  
24 the company.

25 Q. What specific services did you provide for

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1 Guanwei?

2 A. Same thing, just investor relations. I was  
3 told down the road that they were going to do a PPM.  
4 So when they did a PPM, I was going to help them, you  
5 know, try to find a buyer for the PPM.

6 Q. Did that ever happen?

7 A. I'm trying to think. Yeah, I -- that, and  
8 I introduced them to Steven Rosner, who had a lot of  
9 contacts in the recycling business and he was working  
10 on something, but I don't know if anything ever came  
11 to fruition with that or not.

12 Q. So you don't know if he helped with any  
13 finances?

14 A. I think he introduced them to a few people,  
15 but I don't think they ever did anything, because all  
16 those companies had tons of cash.

17 Q. So when you say you did the usual IR stuff,  
18 you're referring to bringing in shareholders?

19 A. Yes.

20 Q. What compensation did you receive for  
21 providing those services?

22 A. I don't think we did very much for that. I  
23 think we got about -- between the three of us, I think  
24 we split 220,000 shares three ways, so whatever that  
25 equates to.

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1 Q. So this is Mr. Rosner, Mr. Weil and  
2 yourself?

3 A. Right.

4 Q. And do you know where that stock came from?

5 A. The same place. I think Paul had a group  
6 and the same group did all the deals, and everything  
7 came from that group, but I couldn't tell you which  
8 person or entity it came from.

9 Q. Were they freely-traded shares?

10 A. Yes.

11 Q. Any other compensation except for that?

12 A. Nope.

13 Q. Anyone else that you knew of that received  
14 compensation for consulting other than the three of  
15 you for Guanwei?

16 A. I'm sure that group in -- I think that  
17 group in Arizona got compensated every time, too.

18 Q. Focus Asia?

19 A. Yeah.

20 Q. What makes you believe that?

21 A. Well, I just assumed that because, you  
22 know, they worked on the deal too and put out reports  
23 and things like that. I've never known anybody to  
24 work for free.

25 Q. Anyone else that you know of?

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1 A. Not on my end. You know, he didn't tell  
2 me -- like I said before, I just focused on what I  
3 did. I didn't ask a lot of questions, who else was  
4 working on it. I didn't care.

5 Q. How many people did you bring in as  
6 shareholders for Guanwei?

7 A. Probably about the same amount. Because  
8 most everybody that bought the CALI bought the  
9 Guanwei, because they liked China. That was at the  
10 time when China was doing really well. I mean, all  
11 those companies had great earnings and revenues and  
12 cash and all kinds of stuff, and they were NASDAQ.

13 MS. OSTROM: Kurt, do you have anything on  
14 this one?

15 MR. GOTTSCHALL: No.

16 (Exhibit No. 23 was marked for  
17 identification by the court reporter.)

18 BY MS. OSTROM:

19 Q. Mr. Becker, let me hand  
20 you Exhibit No. 23. This is numbered ST55 through  
21 ST59. This says Consulting Agreement dated June 6th  
22 of 2008, between Holloman Energy Corp., slash, Grant  
23 Peterson --

24 A. Right.

25 Q. -- Grace Consulting Corp., and the last

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1 page shows the consultant is Grace Consulting  
2 Corporation, Michelle Tidball, president, dated  
3 06-06-08.

4 A. Right.

5 Q. Now, I know in Exhibit No. 19, you had  
6 said, under 1E, that you believe there was a written  
7 agreement with Holloman Energy, but you couldn't find  
8 it. Is this the agreement?

9 A. Yeah, but you know what, this didn't  
10 ever -- this wasn't the agreement. We ended up using  
11 an oral agreement, because I didn't get a million  
12 shares of stock. Because everything I got, I got  
13 through -- Jimmy O'Callaghan arranged. I don't know  
14 if Grant Peterson was the one that did it, but we  
15 ended up not doing this -- the million shares. It  
16 only ended up being a total of -- I think I got 500,  
17 200 and 100.

18 Q. This looks similar to the agreement that  
19 you showed us earlier, that Michelle Tidball had typed  
20 up. You said you needed a template. Is that why this  
21 was done?

22 A. Yeah. I had one -- I think I actually got  
23 this from -- I mean, I didn't write this; a lawyer did  
24 this. I think it was Douglas Weil that gave me the  
25 template. It was one he used for different consulting



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1 things in the past, and he sent me a copy of it and  
2 said I could use it.

3 Q. Now, you're saying that you don't believe  
4 that this ever went into effect; is that true?

5 A. Right, because it never -- because it was a  
6 year -- I think it was -- you know what, this one  
7 was -- we were going to do a second bunch or  
8 something. I don't think this was the original deal  
9 that we did. I think we were going to do a second  
10 bunch and we never did that.

11 Q. Did you have a consulting agreement with  
12 Holloman Energy in 2008?

13 A. I had one with Grant Peterson.

14 Q. With him, personally?

15 A. Well, see, I don't know how it worked. It  
16 came through Jimmy O'Callaghan, and he said -- he told  
17 me that I needed to get a consulting agreement. I did  
18 this one and then he never -- we never did anything  
19 with it. And then they went ahead and did some stuff  
20 with it. It was, like, a year later that I got my  
21 first 500,000 shares, and then I got another 200 and  
22 100, but I don't think this one ever went into effect,  
23 because I didn't ever get a million shares and I  
24 didn't ever -- and that didn't come through Grant  
25 Peterson. It came from -- well, I don't know where.

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1 Q. So my first question is, why did you send  
2 this consulting agreement to Scottrade when they  
3 needed a consulting agreement related to the Holloman  
4 Energy shares?

5 A. Because I thought this was the one that we  
6 did originally, and they wanted to know -- because I  
7 talked to Grant and he told me that I could use this  
8 one. They wanted to know how I got the shares, and I  
9 told them that I didn't get a full million shares. I  
10 only got 800,000, and he told me to use this one.

11 Q. So am I correct -- and tell me if I'm  
12 wrong -- that this agreement, Exhibit No. 23, never  
13 went into effect, but you did do something for  
14 Holloman Energy and Mr. Peterson told you to go ahead  
15 and use this so that Scottrade would take the shares  
16 in; is that correct?

17 A. Yeah. We had a verbal agreement, but a  
18 different one than this. He said that if you have a  
19 consulting -- he said, Use the other consulting  
20 agreement we have. Because he was way up in  
21 Saskatchewan or something. He was always traveling  
22 abroad. Actually, I think it was for the first  
23 500,000 they sent me -- or wherever it came from. I  
24 don't know. Jim O'Callaghan arranged it. It just  
25 showed up.

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1 Q. Who told you to use this consulting  
2 agreement, Exhibit No. 23?

3 A. Grant Peterson.

4 Q. So Mr. Peterson, personally, told you that?

5 A. Yes, because Scottrade wanted to know how  
6 we got it.

7 Q. What was your agreement with Mr. Peterson  
8 of Holloman Energy?

9 A. Just the -- he was, like, a liaison of the  
10 company, too, and he just wanted me to provide -- in  
11 fact, he resigned, I think, shortly after this and  
12 became just a liaison of the company and was just to  
13 provide investor relations, too.

14 Q. On the very last page, ST59, this shows  
15 Grant Peterson as president of Holloman Energy.

16 A. He was president at one time.

17 Q. So when you first negotiated with him, was  
18 he president?

19 A. Yes.

20 Q. Then he resigned subsequent to that, is  
21 your understanding?

22 A. Yes, because he couldn't -- I don't even  
23 remember what the reason was why he resigned, but he's  
24 still affiliated in some respect. I think he became  
25 more of a consultant to the company than a president.

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1 Q. What terms did you negotiate with  
2 Mr. Peterson?

3 A. Well, originally, we did the -- I think --  
4 I'm trying to remember if this one was the first one  
5 or we were going to do a second one and we never did  
6 it. The first one ended up being in effect before the  
7 second one, because I didn't get the shares until -- I  
8 thought I was actually going to get screwed, to tell  
9 you the truth. And then the 500,000 shares showed up  
10 one day. I guess Jimmy O'Callaghan, over in Dublin,  
11 you know, made him send it, because I had been working  
12 on the company already under the assumption --

13 Q. Let's just back up then and talk about the  
14 actual terms. The terms were you got 500,000 shares  
15 of freely-trading stock?

16 A. Right.

17 Q. What were you doing for the company?

18 A. Investor relations, just like other  
19 companies.

20 Q. And you discussed that with Mr. Peterson  
21 specifically himself individually?

22 A. Yes.

23 Q. What did he ask you to do?

24 A. Just do the investor relations as far as  
25 investor awareness. Obviously, the company knew,



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1 million shares, but we never did. We only got to  
2 800,000.

3 BY MR. GOTTSCHALL:

4 Q. How did you obtain  
5 Mr. Peterson's signature on the agreement? Did you  
6 e-mail it to him, fax it to him?

7 A. Faxed it to him.

8 Q. And then he signed it and faxed it back to  
9 you?

10 A. Yeah, I assumed he signed it. That's what  
11 I got back. I never have met Grant. I don't even  
12 know -- you know, he's all over the world all the  
13 time. So I -- at that time, I faxed it to a number  
14 that he told me to fax it to, and that's what I got  
15 back.

16 Q. And you had testified earlier that this  
17 was -- sort of the main consulting arrangement was  
18 between -- you understood it was between Holloman  
19 Energy and Mr. O'Callaghan; is that right?

20 A. Yeah, I think it was between himself, Grant  
21 and the company.

22 Q. What do you mean by that?

23 A. Well, I mean -- I assumed Grant worked for  
24 the company and Grant worked with Mr. O'Callaghan, and  
25 I assumed it was all put together through those three

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1 entities. I mean, Grant -- you know, he called  
2 himself the president, but at that time, I never  
3 really knew if he was still the president or just a  
4 liaison, because he was -- I know he was a consultant  
5 to the company, but I don't know. Maybe that's a  
6 title he gave himself. I don't know. But that's what  
7 he always called himself, was president, for a while,  
8 and then all of a sudden, he was consultant to the  
9 company.

10 Q. What was your understanding as to what  
11 Mr. O'Callaghan was doing for Holloman?

12 A. I assumed he was doing the same thing I was  
13 doing, just over in Europe.

14 Q. In other words, calling and doing investor  
15 relations and calling folks that might be interested  
16 in buying the stock?

17 A. Right. I mean, from what I understood, he  
18 had a huge network over in Europe of, you know,  
19 investors and people that he knew. So I assumed that  
20 that's what he was doing over there. He worked for  
21 HP, for Hewlett Packard, too, but he did that on the  
22 side, I think.

23 MR. GOTTSCHALL: That's all I have. Go  
24 ahead, Jennifer.

25 BY MS. OSTROM:

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1 Q. And then, Mr. Becker,  
2 looking at Exhibit No. 19 again, can you hand that to  
3 me for just a minute?

4 A. Sure.

5 MR. FILLMORE: Shawn, it will be really  
6 helpful when you're referring -- when there's  
7 confusion about Mr. Peterson and Mr. O'Callaghan --  
8 you use a lot of "he" and "himself," and sometimes  
9 it's not clear, at least to me, who you're referring  
10 to and when -- these relationships are kind of  
11 complex.

12 THE WITNESS: So just use their name?

13 MR. FILLMORE: Whenever it is confusing,  
14 yes, please.

15 THE WITNESS: Okay.

16 (Exhibit No. 24 was marked for  
17 identification by the court reporter.)

18 BY MS. OSTROM:

19 Q. Mr. Becker, let me hand  
20 you Exhibit No. 24. This is numbered ST8 through  
21 ST17. This is entitled Consulting Services Agreement,  
22 effective July 1st of 2009, between Duke Enterprises,  
23 LLC, on behalf of FormCap, F-O-R-M-C-A-P, Corp. and  
24 Grace Consulting Corporation and Michelle L. Tidball.  
25 And then page 17 -- ST17 shows a Robert Schwarz,

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1 S-C-H-W-A-R-Z, as president of Duke Enterprises and  
2 Michelle L. Tidball as president signing. Let me hand  
3 you that and ask you if you have seen this before.

4 A. Yes, but I couldn't -- I didn't find  
5 that -- or I couldn't find it. I don't think I sent  
6 this to you, did I?

7 Q. That's okay. You had said that you thought  
8 you had an agreement, but you weren't sure if it was  
9 oral. It was in on our exhibits.

10 A. Yeah.

11 Q. So is -- was this a consulting agreement  
12 that was in effect with -- for FormCap?

13 A. Well, Duke had one with FormCap, and then  
14 he wanted to do one with me to -- he was, like,  
15 subbing it out, like I did with Douglas Weil and  
16 Steven Rosner.

17 Q. So were you a subcontractor for Duke  
18 Enterprises then?

19 A. Yes.

20 Q. Did you ever have any contact with anyone  
21 at FormCap?

22 A. No. I talked to Terry -- somebody who was  
23 like a Paul Kelly, who was the consultant to the  
24 company that Duke Enterprises introduced me to, but  
25 that's the only person associated with the company

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1 that I ever talked to. This one was -- now that I  
2 think about it, this was -- I still have all the  
3 shares except for -- I don't remember how many this  
4 was for. Was this for, like, 500 or 750 or something  
5 like that?

6 Q. The second page, ST9, says two million  
7 shares under 3.1.

8 A. I didn't get two million shares.

9 Q. How many did you get?

10 A. I believe it was 750,000 restricted, which  
11 I still have.

12 Q. Did you buy some on the market then?

13 A. Yeah, I bought some on the market.

14 Q. How much did you buy; do you remember?

15 A. I don't know. It was in that questionnaire  
16 thing you gave me.

17 Q. On the other ones you knew. Like Holloman,  
18 you knew it was 1.2 million. That's why I asked.

19 A. Well, I didn't -- I wasn't associated with  
20 this for very long, because as soon as we started  
21 doing it, it started getting short and it just went  
22 straight down. And then the guy was, you know, trying  
23 to do this and that and he never did it. He wouldn't  
24 talk to anybody. So we just, kind of, gave up on the  
25 thing. I just kept -- the 750,000 -- I tried to call

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1 him.

2 Q. You're talking about Mr. Schwarz?

3 A. No.

4 Q. Who else?

5 A. This Terry somebody, who was -- he was the  
6 one that brought in Mr. Schwarz, but then he wouldn't  
7 talk to Mr. Schwarz. He wouldn't talk to me. He  
8 wouldn't talk to anybody. It just didn't work out. I  
9 mean, it just went down from day one. It got shorted  
10 from day one, and it went from 30 to 40 cents down to  
11 pennies and stayed there.

12 Q. Why did you need to talk to this Terry guy?  
13 What happened with the agreement and your arrangement?  
14 What was going on?

15 A. Well, we didn't understand why the stock  
16 was getting pummeled down to pennies. So what I was  
17 trying to find out -- you know, What do we do? I  
18 mean, Do you want us to keep working on it? Do you  
19 want the stock back? I was trying to give stock back,  
20 actually, because, one, I didn't feel like I had done  
21 that much work on it; and, two, it was at a penny. It  
22 had just gotten pummeled and I didn't work on  
23 something unless I knew why it went to a penny.

24 Q. How did you -- do you know how many people  
25 you brought in to FormCap?

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1 A. Not that many.

2 Q. What do you mean by that? How many is "not  
3 that many"?

4 A. Probably 15. You know, some people, you  
5 know, got stomped, got out of it. You know, some  
6 people held it. You know, it was -- we could never  
7 get any information. The guy wouldn't call anybody  
8 back. He just, kind of, disappeared.

9 Q. Did you share any of your -- the stock with  
10 anyone?

11 A. No.

12 Q. Did you subcontract this out yourself to  
13 anybody?

14 A. Not that I remember. It was such a short  
15 deal. I don't remember subbing it out to anybody.  
16 Like I said, I still have all the 750,000 shares.

17 BY MR. GOTTSCHALL:

18 Q. Mr. Becker, you may  
19 have mentioned this already, but what is your  
20 understanding of the relationship between Duke  
21 Enterprises and FormCap?

22 A. He was brought in to do investor relations  
23 for the company, just like -- he did the same thing  
24 that I did, but he thought it was too big a job for  
25 him, so he subbed it out to me because I had worked

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1 with him in the past, a long time ago, like, ten or 15  
2 years ago on other deals and had done a good job. So  
3 he called me up and asked me if I wanted to work on  
4 the oil deal and told me where it was.

5 I did some research on it. I thought it  
6 might be something worth doing, but, you know, right  
7 out of the gate, the stock started getting beat up  
8 immediately. It went up for a couple of days and then  
9 it started getting beat up. And then we couldn't get  
10 a hold of the guy, and he told us not to do anything,  
11 and then he was working on some stuff. Then he just  
12 dropped off of the face of the planet. We never could  
13 get a hold of him again. I tried calling him many  
14 times to give him the stock back. You know, I still  
15 have his stock. I still have the 750,000 shares.

16 MR. GOTTSCHALL: Okay. Thanks.

17 A. Even though it blew up, I didn't feel like,  
18 you know, I deserved 750,000 shares for doing nothing,  
19 even though it was at a penny.

20 BY MS. OSTROM:

21 Q. And then on Exhibit No.  
22 19, on the very first page, 1B, Kandi, K-A-N-D-I,  
23 Technologies, you said that you purchased some  
24 options, but you didn't have a consulting arrangement;  
25 is that correct?

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1 A. No, I think I gave you the option  
2 agreements.

3 Q. I think you maybe didn't hear my question.

4 A. No, I didn't have -- I mean, I, kind of,  
5 had -- I had one, kind of. They wanted me to help  
6 them -- you know, help them with investor relations,  
7 but there wasn't free-trading stocks or restricted  
8 stocks. They said if I wanted to do it, then I would  
9 have to, you know, get involved and purchase options.

10 Q. Let me see Exhibit No. 19, just so I make  
11 sure I say it correctly then. You just didn't say  
12 anything about it. Is that why -- under 1B, you say,  
13 Mr. Becker purchased 400,000 options in Kandi at \$1.10  
14 per share. He later transferred a portion of these  
15 shares to SLD Capital. All documents pertaining to  
16 Mr. Becker's relationships are enclosed. You didn't  
17 say anything about consulting on that.

18 A. Well, I didn't mean not to do that. I just  
19 assumed you knew that I had done consulting. All I  
20 was trying to make reference to was that they didn't  
21 have any free-trading shares, that if we wanted to get  
22 involved, we had to purchase options.

23 Q. Okay. So you did have a consulting  
24 arrangement with Kandi Technologies; is that correct?

25 A. Right.

1 bought CALI and Guanwei bought the Kandi, too.

2 Q. So about 50 to 60 people?

3 A. It might have been a little bit more than  
4 that. They had a little bit more of an exciting  
5 story, you know, with the electric cars and that kind  
6 of thing. It might have been 75, 80 -- 90 people,  
7 something like that.

8 Q. Now, did you actually give someone money to  
9 purchase the options?

10 A. No. Actually, I'm on the hook still for  
11 the \$440,000, but, eventually, they said that since  
12 everything went to hell in a hand basket, that I could  
13 work it off, you know, maybe help them with some other  
14 stuff down the road or help them -- you know, if they  
15 did a PPM, raise some money or something and work it  
16 off that way, but that was the original agreement, was  
17 that I pay \$1.10 a share.

18 Q. Were you given the shares and you didn't  
19 pay the money up front? Is that what happened?

20 A. Right. Because at that time, I didn't have  
21 the money.

22 MS. FILLMORE: Just to be clear, you're  
23 saying shares, and I think he purchased options.

24 MS. OSTROM: I apologize. Options.

25 A. Yeah, I was given the options on the shares

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1 Q. Who was that with? How did that come  
2 about?

3 A. That was through -- well, all the China  
4 deals were Paul Kelly, but I think the options we  
5 purchased were from a guy named George Tazbaz. I  
6 think he's the one that provided the options. He was,  
7 like, a real estate investor up in Canada or  
8 something -- or Toronto.

9 Q. T-A-Z-B-A-Z, does that sound right?

10 A. Right.

11 Q. So the arrangement, again, was through  
12 Mr. Paul Kelly?

13 A. Yeah.

14 Q. What were the terms of this consulting  
15 agreement?

16 A. Same thing, just to provide investor  
17 relations and investor awareness, and if they ever did  
18 a PPM, to help them raise the money. Eventually, they  
19 did do a PPM, and I introduced them to Steven Rosner  
20 again, who introduced them to some people. And then  
21 they ended up doing some other funky deal for money,  
22 and the stock trades are about 2.75 a share now.

23 Q. Did you bring any shareholders in to Kandi  
24 Technologies?

25 A. Yeah. I mean, pretty much everybody that

1 that I turned into stock.

2 BY MS. OSTROM:

3 Q. So that's my next  
4 question. I should have said it in two parts. I  
5 apologize for that. Did you then exercise the option  
6 that you did purchase -- or that you did get?

7 A. Right. And then I gave some of the shares  
8 to SLD Corp. I'm trying to remember how many I did.  
9 I think I did 200,000 to SLD. Then I kept -- maybe it  
10 was -- it was between 150 and 200. I can't remember  
11 the exact math, because I told them that at some  
12 point, if I ever sold the stock, I was going to have  
13 to pay the \$440,000. They were fine with that,  
14 either -- you know, doing it that way, but it might  
15 have been 150,000 shares.

16 Q. You keep saying "they." Is that --

17 A. I'm talking about Tazbaz and Kelly. They  
18 were associates in some way.

19 Q. So did you ever speak to anybody at Kandi  
20 directly?

21 A. Just when the company came to town and I --  
22 they knew I was involved in investor relations through  
23 Kelly.

24 Q. When did Kandi come to town and where was  
25 it?

<p style="text-align: right;">Page 181</p> <p>1 A. Gosh, I think it was in New York when they  2 came to town. I always met them -- they were always  3 coming in to do road shows to institutions and  4 brokerages and things like that, to see if they could  5 get some coverage -- picked up on. So Paul would  6 always tell me where they were going to be and if I  7 wanted to come meet them and ask them any questions,  8 to come to New York or wherever they were at.  9 Q. When was it that you entered into the oral  10 consulting arrangement with regard to Kandi?  11 A. It was probably about the first part of  12 2010, too. I think I sent the agreements. It was  13 whenever those agreements were signed.  14 Q. The stock options?  15 A. Yeah. It was shortly thereafter.  16 Q. And did you directly ever speak to  17 Mr. Tazbaz?  18 A. A couple of times.  19 Q. And he was okay with you not paying for him  20 for the options up front?  21 A. Yeah.  22 Q. Is he the one that said you could work it  23 off with him?  24 A. When everything kind of -- he said there  25 was no hurry, because he figured we would be in</p>	<p style="text-align: right;">Page 183</p> <p>1 a lot of handwriting on here.  2 A. That's another Paul Kelly thing.  3 Q. Just a second. Did you produce this to the  4 staff?  5 A. Yes.  6 Q. And then you received this from Mr. Kelly?  7 A. Yes.  8 Q. And this is for the -- it says Kandi  9 Technologies Corp., correct, the issuer, underneath  10 the chart?  11 A. Yes.  12 Q. Whose handwriting is this?  13 A. His.  14 Q. So it came to you like this?  15 A. Yes.  16 Q. And is there anything on here that was of  17 importance to you or that you used in your business?  18 A. No, he just thought these things were  19 beneficial to everybody.  20 (Exhibit No 26 was marked for  21 identification by the court reporter.)  22 A. I never could figure these things out, so I  23 just really kind of shelved them.  24 BY MS. OSTROM:  25 Q. Let me hand you Exhibit</p>
<p style="text-align: right;">Page 182</p> <p>1 business down the road, which I'm not doing business  2 with anybody right now, because they're not doing any  3 Chinese deals. He said I could pay him back down, you  4 know, the road if we did any more deals or if I came  5 into some money or something. He wasn't in any big  6 hurry to get it.  7 It might have been 150,000 shares I gave  8 Rosner. Because I was trying to figure out the math,  9 how much I would need to pay if I sold it at X price  10 to pay the 440,000 back, so I kept some back for that.  11 Q. You just said Roger?  12 A. No, Rosner.  13 Q. Okay. And that's SLD Corp.?  14 A. Right.  15 Q. Was Mr. Weil in on this or was this just  16 Mr. Rosner?  17 A. I don't know. If he did it, Steven did it  18 through him. I don't know.  19 (Exhibit No. 25 was marked for  20 identification by the court reporter.)  21 BY MS. OSTROM:  22 Q. Mr. Decker, let me hand  23 you Exhibit 25. This is numbered SB253. This is OBO  24 sheets for October 23rd of 2009. On the left side --  25 on the right, it's October 26th of 2009. Then there's</p>	<p style="text-align: right;">Page 184</p> <p>1 No. 26. This is numbered SB376. This is a shipping  2 airbill, the terms and conditions. Did you send this  3 to us -- produce this to us?  4 A. Probably.  5 Q. Is that your handwriting?  6 A. Yeah, it looks like it. Yeah, I think it  7 is my handwriting.  8 Q. The first part says, Talk to Paul about  9 building 3 to 5 percent IR on every deal. What were  10 you referring to there?  11 A. Because we talked about being down the road  12 that they were going to be -- he wanted us to come in  13 as partners, like the IR portion, be partners in the  14 group, but that never came about. Actually, we were  15 trying to see what the -- what he had for every deal  16 that we could build into the initial thing instead of  17 going through -- because sometimes there wasn't always  18 enough for IR. He, kind of, low-budgeted, because he  19 thought it was always going to be easy. So we wanted  20 to see if we could build a little bit more into the  21 deal. So if we had to subcontract other people out,  22 we could do it and still -- everybody could still make  23 a little money on the deal.  24 Q. The next down on the left, it says, Paul,  25 and then in parenthesis, get more, and then K-N-D-I.</p>



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1 Do you know what you referring to there?

2 A. That's because he only gave us -- well, we  
3 did the -- that was before we did the options, okay?  
4 He said he couldn't do any other -- like, free  
5 trading. He couldn't do any free trading. We'd have  
6 to do options.

7 Q. What was that note for?

8 A. I don't even remember, to tell you the  
9 truth. Maybe that was before I even knew we could  
10 get -- because, originally, he offered -- said he  
11 could probably get a couple hundred, and I told him  
12 that that probably wouldn't be enough. And he said  
13 that the only way we could do it is if we do options.  
14 I think I wrote that note before we actually struck  
15 the deal with the options.

16 Q. In any of your consulting, how did you  
17 arrive at how many shares you wanted as compensation?

18 A. I just figured, you know, what expenses I  
19 needed and if I was, like, solely working on their  
20 deal. Because when I did a deal, I only worked on --  
21 I didn't, like, go out and find other deals and work  
22 ten deals at once. If I was with a group of people, I  
23 stayed with that group and that was it.

24 So I figured out -- you know, if I wanted  
25 to subcontract it out, you know, what I needed per

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1 month to live and things like that; and then I would  
2 come up with a number over the course of -- whatever  
3 they wanted me to do, six months or a year campaign or  
4 two years or whatever.

5 Q. How would you live off of stock  
6 compensation?

7 A. Well, because I would sell a little bit  
8 here and here, or in my case, I margined it and  
9 borrowed money against my account and ended up holding  
10 it, riding it up, riding it down and never selling  
11 anything.

12 Q. So did you look at the stock price  
13 currently and protect it forward to come up with the  
14 number? I mean, how did you decide that?

15 A. Well, you can't ever figure out what you  
16 think it's going to be at because you don't know. I  
17 mean, it could get shorted tomorrow and it could go to  
18 ten cents. So I just figured it based on current  
19 price, you know, what I would need, because you can't  
20 look down the road and say, Oh, I think this thing is  
21 going to be \$10 and base your whole, you know, life on  
22 what you think it's going to be. So I try to figure  
23 out if I had to sell it all right here at \$2, would  
24 that carry me? Could I pay my bills? Could I pay my  
25 expenses or could I subcontract out, or anything like

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1 that.

2 Q. Now, if that was the only source of income  
3 you had and you only worked one deal at a time, how  
4 could you then hold the stock for the long term?

5 A. Because I margined it.

6 Q. You do that with every stock?

7 A. Unfortunately, yes, I do.

8 Q. Why would do you rather sell it?

9 A. Well, it was hard for me to tell people to  
10 buy it and me selling it. So -- and, plus, I believed  
11 in the long-term story. Like, I thought Kandi might  
12 be, you know, a ten or \$12 stock. That's what I did  
13 in Bioenvision and I made quite a bit of money.  
14 Unfortunately, that works in about one out of every  
15 ten of those stocks.

16 Q. Now, were all the stocks, though, that  
17 you -- all the companies that you did consulting for,  
18 not all of their stocks were marginable; isn't that  
19 correct?

20 A. Well, these were.

21 Q. But were -- Kandi was?

22 A. Yeah, Kandi became marginable. They all  
23 became marginable.

24 Q. You said "became." What do you mean by  
25 that, "became marginable"?

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1 A. Well, they had to be over \$3 a share.

2 Q. So until they were \$3 a share, you  
3 couldn't --

4 A. No, but that was usually right away. I  
5 mean, usually within the first few months, it was  
6 right away. I had money from other deals that we had  
7 one -- two that I lived off of from -- you know, maybe  
8 deals I had done in '04, '05 that I had made money on.  
9 So, you know, I waited -- then when that money ran,  
10 fortunately, these were marginable and I could borrow  
11 more money from that.

12 Q. So stock like Holloman never came close to  
13 being \$3 a share, correct?

14 A. Right.

15 Q. So how did you figure out the compensation  
16 for Holloman if you knew right then it was in the  
17 pennies?

18 A. Because I had other money at that point.

19 Q. But that's not what I asked you. How did  
20 you figure out how many shares you wanted to get from  
21 them as compensation?

22 A. Well, that was more -- well, you know,  
23 800,000. I mean, that was -- originally, they kind of  
24 wanted me to do it for six months, and it was around  
25 15 or 20 cents a share. So a million shares -- at the



1 but we just never got to that point and then we split  
2 up.

3 Q. Anything else?

4 A. Not that I can think of, right off the top  
5 of my head.

6 MS. OSTROM: Mr. Fillmore, do you wish to  
7 ask any clarifying questions?

8 MR. FILLMORE: No.

9 MS. OSTROM: Anything else, Kurt?

10 MR. GOTTSCHALL: No. I appreciate your  
11 time, Mr. Becker.

12 THE WITNESS: Thank you.

13 MS. OSTROM: Mr. Becker, we have no further  
14 questions for you today. We may, however, call you  
15 again to testify in this investigation. Should this  
16 be necessary, we will contact your counsel.

17 We are off the record 4:33 p.m.

18 (Whereupon, at 4:33 p.m., the examination  
19 was concluded.)

20 \* \* \* \* \*

1 PROOFREADER'S CERTIFICATE

2  
3 In the Matter of: GRACE CONSULTING CORP.

4 Witness: Shawn Becker

5 File Number: D-03211-A

6 Date: Friday, October 28, 2011

7 Location: Kansas City, MO

8  
9  
10 This is to certify that I, Donna S. Raya,  
11 (the undersigned), do hereby swear and affirm  
12 that the attached proceedings before the U.S.  
13 Securities and Exchange Commission were held  
14 according to the record and that this is the  
15 original, complete, true and accurate transcript  
16 that has been compared to the reporting or recording  
17 accomplished at the hearing.

18  
19  
20  
21  
22 \_\_\_\_\_  
23 (Proofreader's Name)

24 \_\_\_\_\_  
25 (Date)

1 CERTIFICATE OF REPORTER

2 STATE OF MISSOURI )

3 ) ss.

4 COUNTY OF HENRY )

5 I, Sheila R. Vogt, a Court Reporter and a  
6 Notary Public within and for the State of Missouri, do  
7 hereby certify that the witness whose testimony  
8 appears in the foregoing deposition was duly sworn by  
9 me; that the testimony of said witness was taken by me  
10 to the best of my ability and thereafter reduced to  
11 typewriting under my direction; that I am neither  
12 counsel for, related to, nor employed by any of the  
13 parties to the action in which this deposition was  
14 taken, and further that I am not a relative or  
15 employee of any attorney or counsel employed by the  
16 parties thereto, nor financially or otherwise  
17 interested in the outcome of the action.

18  
19  
20 \_\_\_\_\_  
21 Notary Public within and for  
22 The State of Missouri  
23  
24  
25

1 Diversified Reporting Services, Inc.

2 1101 Sixteenth Street, N.W.

3 2nd Floor

4 Washington, DC 20036

5 In the Matter of: GRACE CONSULTING CORP.

6 Witness: Shawn Becker

7 File Number: D-03211-A

8 Date: Friday, October 28, 2011

9 Location: Kansas City, MO

10  
11  
12 This is a letter to inform you that we do not  
13 release our tapes and notes. I do maintain  
14 them for a period of one (1) year.

15 Sincerely,